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TO : THE DEPARTMENT OF STATE 1964 JUN 29 AM 7 37

 ANALYSIS & DISTRIBUTION
 BRANCH

FROM : Amembassy NICOSIA

DATE: June 23, 1964

SUBJECT: Immunities and Privileges - Payment of Cyprus Automobile Taxes

REF : See note page 4.

 POL 17-2 US CYP
 Nicosa A-575 June 25, 1963
 L for Action
SUMMARY

The Embassy requests authorization to explore further with the GCC the most equitable way of doing away with the present highly unsatisfactory system of registering and licensing automobiles belonging to certain members of the staff. The Country Team has long recognized the need to get rid of the highly visible and, to many Cypriots, highly irritating, special "American Temporary License" tags. The question has been more one of timing than of substance. The Foreign Minister has now requested that a solution be found. We believe we might obtain GCC agreement to a new system under which Cyprus automobile taxes would be paid by some American employees of the mission but payment would be made under protest, with a possibility of eventual reimbursement, and with an undertaking by the Government of Cyprus that such payment would not be used as a precedent for the levying of other taxes and duties.

Since the beginning of the current Cyprus crisis, the Embassy has been concerned about the continued use by the majority of American employees of the mission of the distinctive "American Temporary License" plates. Many Cypriots are irritated by ATL plates, which they regard as a symbol of special privileges given at their expense to the numerous American communications personnel on the island. During peaks of anti-American sentiment, when the Greek Cypriot press and public

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State Dept review completed

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opinion were (with considerable Communist encouragement) seizing any pretext for attacks on Americans, ATL plates were regarded as an outright provocation. The ATL plates also aggravated the mission's security problem; two cars with ATL plates were burned only because they obviously belonged to Americans and in several instances drivers of cars with ATL plates were detained and threatened. There were also reports of cars with ATL plates (which could easily be forged) being used by terrorists on either side in the communal strife.

To cope with this situation, the Embassy reduced to the extent possible the number of ATL plates in circulation and kept the registration numbers on the plates as low as possible. There are, however, still about 90 ATL registrations extant, and they continue to be a source of worry and embarrassment to the Embassy.

The opportunity to seek some preferable alternative to ATL plates was provided recently when Foreign Minister KYPRIANOU raised the subject with me and asked that the Embassy try to work out with the Chief of Protocol some arrangement to eliminate ATL plates and to put the automobiles of all American employees of the mission under Cyprus registration.

The first conversation with the Chief of Protocol on the subject is reported in Enclosure No. 1.

From this preliminary discussion, it appears that the Government of Cyprus might accept the following arrangement:

1. The issuance of ATL registrations by the Embassy would be stopped;
2. The Government of Cyprus would issue Cyprus registrations, without payment of automobile taxes, to all American employees of the mission whose functions could reasonably be related to normal Embassy work involving the relations of Cyprus and the U.S.A.;
3. American communications personnel who would not be covered in the foregoing paragraph would pay Cyprus automobile taxes but would do so on the understanding that reimbursement would be made if an eventual bilateral agreement on the status, immunities, and privileges of American communications facilities provided for tax exemption for such personnel;

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4. The Embassy would determine whether employees will fall under para. 2 or para. 3 above; and

5. The Government of Cyprus would give assurances that the payment of automobile taxes by some personnel will not be taken as a precedent for the levying of any other taxes and duties on them.

While the Chief of Protocol believed that the Government of Cyprus would like to commence discussions soon on an overall bilateral agreement on the status, immunities, and privileges of the American communications facilities, he apparently saw no obstacles to dealing with the automobile tax question separately on an interim basis. The Embassy believes that we should take this opportunity to find a solution to this problem separately, deferring discussion of a more general agreement until the solution of the Cyprus question is clear and we have a well-established Government with which we can negotiate.

The Embassy also believes that the proposals outlined above could form a satisfactory basis for agreement. It seems that the Government of Cyprus might now be more liberal than it would have been last year (see Nicosia's A-575, June 25, 1963) in two senses. First, it would be less restrictive in granting exemptions, possibly because of the substantial reduction of mission personnel in the interim. Second, it would give an assurance that the payment of automobile taxes would set no precedent for the payment of other taxes and duties. The Embassy regards the latter as a very significant concession, offering us virtually total tax exemption for communications personnel at minor cost. A temporary arrangement embodying this concession might form very useful precedent for an eventual general bilateral agreement.

(One may wonder why the Government of Cyprus is insisting on the payment of automobile taxes but only automobile taxes. The Embassy's guess is that there are two reasons. First, as indicated above, Cypriot opinion has been especially irritated by the American Temporary License arrangement whereas other tax exemptions usually go unnoticed by the general public. Second, the automobile tax law was awkwardly drafted in that it permits exemptions only for "permanent officers of the regular diplomatic and consular service.")

One difficulty about the proposed arrangement mentioned above is that it calls upon the Embassy to distinguish those personnel who

are engaged

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are engaged in Embassy communications work from those who are not. Security considerations would make it difficult if not impossible for the Embassy to do this on a person-by-person basis or to permit the Government of Cyprus to do so. It is quite clear that we cannot expect the Government of Cyprus to accept the thesis that all American communications personnel are doing the same work for the Embassy. However, the Embassy believes that a satisfactory solution of this problem might be found in agreement with the Government of Cyprus to establish a more or less arbitrary quota of free automobile registrations to be provided for communications personnel. The number would be determined on the assumption that, while personnel cannot be distinguished individually (for all engaged in the same work), only a certain percentage of the total man-hours involves Embassy communications, whereas the balance is devoted to relaying communications of other diplomatic posts. The Radio Relay Station, the Naval Facility, and the Foreign Broadcast Information Service might then decide how the limited number of exemptions available would be distributed within their own organizations. Admittedly there would be a morale problem involved, but differences of status are commonplace in a diplomatic mission and two-thirds of a loaf of tax exemption is better than none.

The Embassy requests the Department's approval for further discussion of this question with the Cyprus authorities with a view to the negotiation of an arrangement along the lines suggested above. Needless to say, a number of points which would require negotiation have not been discussed above, e.g. whether only license and registration fees or also annual road taxes would be paid, effective date, etc. The Embassy would naturally make no final commitments without the Department's express approval.

This message has been cleared by the Country Team at Nicosia, including the senior officers of the communications facilities.

Note on Reference: The Embassy's files on Immunities and privileges have been evacuated to Beirut. It is believed, however, that the last communication on automobile taxes as a separate subject was Nicosia's A-575 of June 25, 1963. If the Department made a reply to that airmail, the Embassy would appreciate an extra copy.

Taylor G. Belcher
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Enclosure: *See m. m.*

Memorandum of Conversation

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